M/037/027

UNION CARBIDE CORPORATION

39 Old Ridgebury Road • Danbury, CT 06817-0001
Treasurer's Group • M4

Alice Brescia

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November 7, 2000

Utah Department Of Natural Resources
Div of Oil Gas & Mining, Minerals Reclamation Program
Attn: Joelle Burns
1594 W. North Temple, Suite 1210
Salt Lake City, UT 84114-5801

Re: Utah Board Of Oil, Gas and Mining and Union Carbide Corp.
And Its Wholly-Owned Subsidiary UMETCO Mineral Corporation
Mined-Lands Reclamation Contracts

In accordance with the terms of the referenced financing, please find attached Union Carbide's Third Quarter 10-Q for the period ended September 30, 2000.

Please advise any changes to your address.

Sincerely,

Alice Brescia

Alice Brescia

/ab
Attachment

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D C 20549
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2000

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ______________

Commission File Number 1-1463

UNION CARBIDE CORPORATION

(Exact name of registrant as specified in its charter)

New York	[illegible]
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
39 Old Ridgebury Road, Danbury, CT	06817-0001
(Address of principal executive offices)	(Zip Code)

203-794-2000
Registrant's telephone number, including area code

____
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X_ No__

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2000
Common Stock, $1 par value	135,196,104 shares

Total number of sequentially numbered pages in this filing, including exhibits thereto: 24

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Cautionary statement: All statements in this Quarterly Report on Form 10-Q that do not reflect historical information are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 (as amended). Forward-looking statements include statements concerning the pending merger with The Dow Chemical Company ("Dow" and, with regard to the merger, the "Dow Merger"); plans; objectives; strategies; anticipated future events or performance; sales; cost, expense and earnings expectations; interest rate and currency risk management; the chemical markets in 2000 and beyond; development, production and acceptance of new products and process technologies; ongoing and planned capacity additions and expansions; joint ventures; Management's Discussion and Analysis; and any other statements that do not reflect historical information. Such forward-looking statements are subject to risks and uncertainties. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include the supply/demand balance for the corporation's products; customer inventory levels; competitive pricing pressures; raw material availability and costs; changes in industry production capacities and operating rates; currency exchange rates; interest rates; global economic conditions; competitive technology positions; failure by the corporation to achieve technology objectives, achieve cost reduction targets or complete projects on schedule and on budget; inability to obtain new customers or retain existing ones; and, with respect to the Dow Merger, failure to obtain necessary regulatory and other governmental approvals and failure to satisfy conditions of the merger agreement.

PART I. FINANCIAL INFORMATION

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Millions of dollars (Except per share figures) Quarter ended September 30,	
	2000	1999
NET SALES	$1,637	$1,498
Cost of sales, exclusive of depreciation and amortization	1,421	1,232
Research and development	37	38
Selling, administrative and other expenses (a)	48	72
Depreciation and amortization	100	103
Partnership income (loss)	(6)	18
Other income - net	9	52
INCOME BEFORE INTEREST EXPENSE AND PROVISION FOR INCOME TAXES	34	123
Interest expense	35	32
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(1)	91
Provision for income taxes	-	24
INCOME (LOSS) OF CONSOLIDATED COMPANIES AND PARTNERSHIPS	(1)	67
Minority interest	3	2
Income from corporate investments carried at equity	33	12
NET INCOME	$ 29	$ 77
Earnings per common share		
Basic	$ 0.22	$ 0.58
Diluted	$ 0.22	$ 0.57
Cash dividends declared per common share	$ 0.225	$ 0.225
(a) Selling, administrative and other expenses include:		
Selling	$ 21	$ 24
Administrative	21	28
Other expenses	6	20
	$ 48	$ 72

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Millions of dollars (Except per share figures) Nine months ended September 30, 2000	1999
NET SALES	$4,928	$4,318
Cost of sales, exclusive of depreciation and amortization	4,089	3,369
Research and development	115	114
Selling, administrative and other expenses (a)	182	199
Depreciation and amortization	304	302
Partnership income	6	20
Other income - net	69	93
INCOME BEFORE INTEREST EXPENSE AND PROVISION FOR INCOME TAXES	313	447
Interest expense	117	98
INCOME BEFORE PROVISION FOR INCOME TAXES	196	349
Provision for income taxes	49	90
INCOME OF CONSOLIDATED COMPANIES AND PARTNERSHIPS	147	259
Minority interest	6	4
Income (loss) from corporate investments carried at equity	115	(38)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	256	217
Cumulative effect of change in accounting principle	-	(20)
NET INCOME	$ 256	$ 197
Earnings per common share		
Basic -		
Income before cumulative effect of change in accounting principle	$ 1.90	$ 1.63
Cumulative effect of change in accounting principle	-	(0.15)
Net income	$ 1.90	$ 1.48
Diluted -		
Income before cumulative effect of change in accounting principle	$ 1.86	$ 1.59
Cumulative effect of change in accounting principle	-	(0.14)
Net income	$ 1.86	$ 1.45
Cash dividends declared per common share	$ 0.675	$ 0.675
(a) Selling, administrative and other expenses include:		
Selling	$ 66	$ 70
Administrative	65	69
Other expenses	51	60
	$ 182	$ 199

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	Millions of dollars	
	Sept. 30, 2000	Dec. 31, 1999
ASSETS		
Cash and cash equivalents	$ 63	$ 41
Notes and accounts receivable	1,104	1,132
Inventories	701	680
Other current assets	314	297
Total current assets	2,182	2,150
Property, plant and equipment	9,311	9,057
Less: Accumulated depreciation	4,734	4,536
Net fixed assets	4,577	4,521
Companies carried at equity	994	756
Other investments and advances	93	75
Total investments and advances	1,087	831
Other assets	526	455
Total assets	$ 8,372	$ 7,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 336	$ 329
Short-term debt and current portion of long-term debt	1,111	782
Other accrued liabilities	749	678
Total current liabilities	2,196	1,789
Long-term debt	1,755	1,869
Postretirement benefit obligation	428	438
Other long-term obligations	547	603
Deferred credits	640	599
Minority stockholders' equity in consolidated subsidiaries	40	42
Stockholders' equity:		
Common stock - authorized - 500,000,000 shares - issued - 158,495,782 shares (157,571,933 shares in 1999)	158	158
Additional paid-in capital	197	165
Other equity adjustments	(1)	(1)
Accumulated other comprehensive loss	(217)	(160)
Retained earnings	3,697	3,530
Unearned employee compensation - ESOP	(49)	(56)
Treasury stock, at cost - 23,413,994 shares (23,428,229 shares in 1999)	(1,019)	(1,019)
Total stockholders' equity	2,766	2,617
Total liabilities and stockholders' equity	$ 8,372	$ 7,957

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of dollars Nine Months Ended Sept. 30, 2000	1999
	Increase (decrease) in Cash and cash equivalents	
OPERATIONS		
Income before cumulative effect of change in accounting principle	$ 256	$ 217
Noncash charges (credits) to net income:		
Depreciation and amortization	304	302
Deferred income taxes	41	99
Equity in (earnings) losses of joint ventures, net of cash received	(84)	53
Other	(80)	36
Increase in working capital [a]	(13)	(211)
Long-term assets and liabilities	(44)	(77)
Cash Flow From Operations	380	419
INVESTING		
Capital expenditures	(397)	(559)
Investments, advances and acquisitions	(184)	(91)
Proceeds from the sale of available-for-sale securities	143	28
Purchase of available-for-sale securities	(84)	(35)
Sale of fixed and other assets	8	26
Cash Flow Used for Investing	(514)	(631)
FINANCING		
Change in short-term debt (3 months or less)	342	243
Proceeds from short-term debt	8	2
Repayments of short-term debt	(19)	(17)
Proceeds from long-term debt	-	285
Repayments of long-term debt	(114)	(227)
Issuance of common stock	25	41
Purchase of common stock	-	(50)
Payment of dividends	(91)	(90)
Other	5	11
Cash Flow From Financing	156	198
Effect of exchange rate changes on cash and cash equivalents	-	1
Change in cash and cash equivalents	22	(13)
Cash and cash equivalents, beginning-of-period	41	49
Cash and cash equivalents, end-of-period	$ 63	$ 36
Cash (received) paid for interest and income taxes		
Interest (net of amount capitalized)	$ 124	$ 93
Income taxes	$ (24)	$ 31

(a) Net change in certain components of working capital (excluding noncash transactions):

	2000	1999
(Increase) decrease in current assets		
Notes and accounts receivable	$ 24	$(176)
Inventories	(21)	62
Other current assets	(19)	(21)
(Decrease) increase in payables and accruals	3	(76)
(Increase) decrease in working capital	$ (13)	$(211)

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments necessary for a fair statement of the results for the interim periods. These adjustments consist of only normal recurring adjustments. The accompanying statements should be read in conjunction with the Notes to Financial Statements of Union Carbide Corporation and Subsidiaries (the corporation or UCC) in the 1999 annual report to stockholders.

Unrealized gains and losses resulting from translating foreign subsidiaries' assets and liabilities into U.S. dollars generally are recognized as part of "Comprehensive income," and are included in "Accumulated other comprehensive loss" on the Condensed Consolidated Balance Sheet until such time as the subsidiary is sold or substantially or completely liquidated. Translation gains and losses relating to those operations located in Latin American countries where hyperinflation exists and to international operations using the U.S. dollar as their functional currency are included in the Condensed Consolidated Statement of Income.

2. Comprehensive Income

The following summary presents the components of comprehensive income:

Millions of dollars,	Quarter Ended Sept. 30, 2000	Quarter Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 1999
Net income	$ 29	$77	$256	$197
Other comprehensive income:				
Unrealized gains and losses on available-for-sale securities, net of reclassification adjustments and net of tax	(3)	(1)	1	1
Foreign currency translation adjustments	(23)	8	(58)	(47)
Comprehensive income	$ 3	$84	$199	$151

3. Inventories

Millions of dollars,	Sept. 30, 2000	Dec. 31, 1999
Raw materials and supplies	$169	$152
Work in process	67	45
Finished goods	465	483
	$701	$680

4. Business and Geographic Segment Information

The corporation has two operating segments, Specialties & Intermediates (S&I) and Basic Chemicals & Polymers (BC&P). The S&I segment includes the corporation's specialty chemicals and polymers product lines, licensing, and solvents and chemical intermediates. The BC&P segment includes the corporation's ethylene and propylene manufacturing operations as well as the production of first-level ethylene and propylene derivatives-polyethylene, polypropylene, ethylene oxide and ethylene glycol. In addition to its operating segments, the corporation's Other segment includes its non-core operations and financial transactions other than derivatives designated as hedges, which are included in the same segment as the item being hedged.

Sales of the BC&P segment include intersegment sales, principally ethylene oxide, which are made at the estimated market value of the products transferred. The corporation evaluates performance based on Income before interest expense and provision for income taxes (operating profit).

Millions of dollars, for the quarter ended	S&I	BC&P	Other	Total
September 30, 2000				
Net sales	$1,122	$ 515	$ -	$1,637
Intersegment revenues	-	99	-	99
Segment revenues	1,122	614	-	1,736
Depreciation and amortization	65	35	-	100
Partnership income (loss)	(6)	-	-	(6)
Operating profit (loss)	45	(15)	4	34
Interest expense	-	-	35	35
Income from corporate investments carried at equity	1	32	-	33

Millions of dollars, for the quarter ended	S&I	BC&P	Other	Total
September 30, 1999				
Net sales	$1,057	$441	$ -	$1,498
Intersegment revenues	-	81	-	81
Segment revenues	1,057	522	-	1,579
Depreciation and amortization	67	36	-	103
Partnership income	17	1	-	18
Operating profit (loss)	134	(7)	(4)	123
Interest expense	-	-	32	32
Income from corporate investments carried at equity	-	12	-	12

Millions of dollars, for the nine months ended	S&I	BC&P	Other	Total
September 30, 2000				
Net sales	$3,355	$1,573	$ -	$4,928
Intersegment revenues	-	304	-	304
Segment revenues	3,355	1,877	-	5,232
Depreciation and amortization	199	105	-	304
Partnership income	4	2	-	6
Operating profit	219	89	5	313
Interest expense	-	-	117	117
Income from corporate investments carried at equity	-	115	-	115

Millions of dollars, for the nine months ended	S&I	BC&P	Other	Total
September 30, 1999				
Net sales	$3,127	$1,191	$ -	$4,318
Intersegment revenues	-	188	-	188
Segment revenues	3,127	1,379	-	4,506
Depreciation and amortization	192	110	-	302
Partnership income	19	1	-	20
Operating profit (loss)	530	(82)	(1)	447
Interest expense	-	-	98	98
Income (loss) from corporate investments carried at equity	4	(42)	-	(38)

Operating profit for the nine months ended September 30, 2000 includes an $18 million gain on shares received and sold in connection with the demutualization of Metropolitan Life Insurance Company, a provider of certain employee benefit programs for the corporation, of which $12 million and $6 million were recognized by the S&I and BC&P segment, respectively.

The operating profit of the S&I segment includes $38 million and $50 million of net gains from litigation settlements related to licensing for the quarter and nine months ended September 30, 1999, respectively.

5. Earnings Per Share

Millions of dollars, except per share amounts	Quarter Ended Sept. 30, 2000	Quarter Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 1999
Income before cumulative effect of change in accounting principle	$ 29	$ 77	$ 256	$ 217
Cumulative effect of change in accounting principle	-	-	-	(20)
Net income	$ 29	$ 77	$ 256	$ 197
Basic -				
Weighted average number of shares outstanding for basic calculation	134,960,774	133,464,524	134,705,126	133,135,986
Earnings per share -				
Income before cumulative effect of change in accounting principle	$0.22	$0.58	$1.90	$ 1.63
Cumulative effect of change in accounting principle	-	-	-	(0.15)
Net income	$0.22	$0.58	$1.90	$ 1.48
Diluted -				
Weighted average number of shares outstanding for basic calculation	134,960,774	133,464,524	134,705,126	133,135,986
Add: Effect of stock options	2,114,616	3,434,248	2,815,275	3,220,422
Weighted average number of shares outstanding for diluted calculation	137,075,390	136,898,772	137,520,401	136,356,408
Earnings per share -				
Income before cumulative effect of change in accounting principle	$0.22	$0.57	$1.86	$ 1.59
Cumulative effect of change in accounting principle	-	-	-	(0.14)
Net income	$0.22	$0.57	$1.86	$ 1.45

6. Commitments and Contingencies

The corporation has three major agreements for the purchase of ethylene-related products and two other purchase agreements in the U.S. and Canada. The net present value of the fixed and determinable portion of obligations under these purchase commitments at September 30, 2000 totaled $185 million.

The corporation is subject to loss contingencies resulting from environmental laws and regulations, which include obligations to remove or remediate the effects on the environment of the disposal or release of certain wastes and substances at various sites. The corporation has established accruals in current dollars for those hazardous waste sites where it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The reliability and precision of the loss estimates are affected by numerous factors, such as different stages of site evaluation, the allocation of responsibility among potentially responsible parties and the assertion of additional claims. The corporation adjusts its accruals as new remediation requirements are defined, as information becomes available permitting reasonable estimates to be made, and to reflect new and changing facts.

At September 30, 2000, the corporation had established environmental remediation accruals in the amount of $187 million. These accruals have two components, estimated future expenditures for site investigation and cleanup and estimated future expenditures for closure and postclosure activities. In addition, the corporation had environmental loss contingencies of $78 million.

The corporation has sole responsibility for the remediation of approximately 40 percent of its environmental sites for which accruals have been established. These sites are well advanced in the investigation and cleanup stage. The corporation's environmental accruals at September 30, 2000 included $153 million for these sites, of which $43 million was for estimated future expenditures for site investigation and cleanup and $110 million was for estimated future expenditures for closure and postclosure activities. In addition, $61 million of the corporation's environmental loss contingencies related to these sites. The three sites with the largest total potential cost to the corporation are nonoperating sites. Of the above accruals, these sites accounted for $51 million, of which $12 million was for estimated future expenditures for site investigation and cleanup and $39 million was for estimated future expenditures for closure and postclosure activities. In addition, $40 million of the above environmental loss contingencies related to these sites.

The corporation does not have sole responsibility at the remainder of its environmental sites for which accruals have been established. All of these sites are in the investigation and cleanup stage. The corporation's environmental accruals at September 30, 2000 included $34 million for estimated future expenditures for site investigation and cleanup at these sites. In addition, $17 million of the corporation's environmental loss contingencies related to these sites. The largest two of these sites are also nonoperating sites. Of the above accruals, these sites accounted for $12 million for estimated future expenditures for site investigation and cleanup. In addition, $2 million of the above environmental loss contingencies related to these sites.

In 1999, worldwide expenses related to environmental protection for compliance with Federal, state and local laws regulating solid and hazardous wastes and discharge of materials to air and water, as well as for waste site remedial activities, totaled $118 million. Expenses in 1998 and 1997 were $91 million and $100 million, respectively. While estimates of the costs of environmental protection for 2000 are necessarily imprecise, the corporation estimates that these expenses will approximate the average of the last three years.

The corporation severally guaranteed up to approximately $122 million at September 30, 2000 of EQUATE Petrochemical Company's (EQUATE) debt and working capital financing needs. The corporation has also severally guaranteed certain sales volume targets until EQUATE's sales capabilities are proved. In addition, the corporation has pledged its shares in EQUATE as security for EQUATE's debt. The corporation has political risk insurance coverage for its equity investment and a majority of its guarantee of EQUATE's debt.

The corporation had additional contingent obligations at September 30, 2000 totaling $85 million, of which $28 million related to guarantees of debt.

The corporation and its consolidated subsidiaries are involved in a number of legal proceedings and claims with both private and governmental parties. These cover a wide range of matters, including, but not limited to: product liability; trade regulation; governmental regulatory proceedings; health, safety and environmental matters; employment; patents; contracts; taxes; and commercial disputes. In some of these legal proceedings and claims, the cost of remedies that may be sought or damages claimed is substantial.

The corporation has recorded nonenvironmental litigation accruals of $135 million and related insurance recovery receivables of $117 million. At September 30, 2000, the corporation had nonenvironmental litigation loss contingencies of $71 million.

While it is impossible at this time to determine with certainty the ultimate outcome of any of the legal proceedings and claims referred to in this note, management believes that adequate provisions have been made for probable losses with respect thereto and that such ultimate outcome, after provisions therefor, will not have a material adverse effect on the consolidated financial position of the corporation, but could have a material effect on consolidated results of operations in a given quarter or year. Should any losses be sustained in connection with any of such legal proceedings and claims in excess of provisions therefor, they will be charged to income when determinable.

7. Accounting Changes

Effective January 1, 1999, the corporation adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." This SOP requires the expensing of certain costs, such as preoperating expenses and organizational costs associated with an entity's start-up activities. In accordance with this SOP's provisions, on January 1, 1999, the corporation recognized a charge of $27 million ($20 million after-tax) as a cumulative effect of change in accounting principle, the majority of which represented formation costs associated with the corporation's joint ventures.

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (Statement) No. 133, "Accounting for Derivative Instruments and Hedging Activities." It requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those derivatives will be reported in earnings or accumulated other comprehensive loss, depending on the uses of the derivatives and whether they qualify for hedge accounting. This Statement, as amended by Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133," is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Due to the corporation's limited use of financial instruments to manage its exposure to market risks, primarily related only to changes in foreign currency exchange rates, the corporation does not expect the adoption of Statement No. 133 on January 1, 2001 to have a material effect on the corporation's financial position or results of operations.

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," which summarizes the staff's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. The corporation has determined that SAB 101 will not have a significant effect on its revenue recognition policies and procedures.

8. The Dow Merger

On August 3, 1999, the corporation and The Dow Chemical Company (Dow) entered an Agreement and Plan of Merger providing for the merger of a subsidiary of Dow with and into the corporation. As a result of the merger, the corporation will become a wholly-owned subsidiary of Dow and the corporation's shareholders will receive 1.611 shares of Dow common stock for each share of UCC common stock they own as of the date of the merger. On December 1, 1999, the corporation's shareholders approved the merger. On May 3, 2000, the European Commission approved the merger subject to the divestiture of certain assets and the licensing of certain technology. The merger is still subject to certain additional conditions including review by antitrust regulatory authorities in the United States.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Union Carbide operates in two business segments. The Specialties & Intermediates (S&I) segment converts basic and intermediate chemicals into a diverse portfolio of chemicals and polymers serving industrial customers in many markets. This segment also provides technology services, including licensing, to the oil and petrochemicals industries. The Basic Chemicals & Polymers (BC&P) segment converts hydrocarbon feedstocks, principally liquefied petroleum gas and naphtha, into ethylene or propylene used to manufacture polyethylene, polypropylene, ethylene oxide and ethylene glycol for sale to third-party customers, as well as ethylene, propylene, ethylene oxide and ethylene glycol for consumption by the S&I segment. In comparison with those of S&I, the revenues and operating profit of BC&P tend to be more cyclical and very sensitive to a number of external variables, including overall economic demand, hydrocarbon feedstock costs, industry capacity increases and plant operating rates.

In addition to its business segments, the corporation's Other segment includes its noncore operations and financial transactions other than derivatives designated as hedges, which are included in the same segment as the item being hedged.

Summary

The corporation reported third quarter net income of $29 million, or $0.22 per diluted share ($0.22 per basic share). For the same quarter in 1999, the corporation reported net income of $77 million, or $0.57 per diluted share ($0.58 per basic share). Net income for the nine months ended September 30, 2000 was $256 million, or $1.86 per diluted share ($1.90 per basic share), compared with net income of $217 million, or $1.59 per diluted share ($1.63 per basic share), before the charge for a cumulative effect of a change in accounting principle of $20 million, or $0.14 per diluted share ($0.15 per basic share), for the same nine months of 1999.

Consolidated net sales for the third quarter of 2000 were $1,637 million, an increase of 9.3 percent over net sales of $1,498 million for the third quarter of 1999 reflecting an 8.8 percent increase in average selling prices coupled with a slight increase in volume. Consolidated net sales for the first nine months of 2000 were $4,928 million, an increase of 14.1 percent over net sales of $4,318 million for the same nine months of 1999, representing a 14.2 percent increase in average selling prices offset by a slight decline in volume. Although average selling price increases occurred in both segments, the majority of the three and nine month period increases came from products in the BC&P segment.

The corporation's unit variable margin (revenues less variable manufacturing and distribution costs divided by customer volume) was 12.9 cents per pound in the third quarter of 2000 compared with 14.1 cents per pound for the same quarter in 1999. Consolidated unit variable margin for the nine months ended September 30, 2000 was 14.3 cents per pound compared with 15.0 cents per pound for the same nine months of 1999. Declines for both the three and nine month periods principally reflected lower unit variable margins in the S&I segment, caused by rising purchased material and energy costs, which were not fully offset by increases in average selling prices. Lower S&I unit variable margins were partially offset by higher unit variable margins of the BC&P segment, reflecting increases in average selling prices that more than offset higher raw material and energy costs.

Fixed cost per pound of product sold (fixed manufacturing and distribution costs, plus research and development and selling, administrative and other expenses, divided by customer volume) was 9.8 cents per pound for the three months ended September 30, 2000 compared with 10.4 cents per pound for the same quarter in 1999. For the nine months ended September 30, 2000 fixed cost per pound of product sold was 10.0 cents compared with 9.9 cents for the same nine months of 1999. Fixed costs were reduced by a reduction in pension expense of $23 million and $69 million for the three and nine month periods ended September 30, 2000, respectively, as compared with the same periods in 1999, the result of amortization of investment gains and changes in actuarial assumptions reflecting long-term investment returns on pension plan assets. Additionally, fixed costs in the third quarter of 2000 included a non-recurring decline in selling, administrative and other expenses, as well as increased costs associated with the start-up of the olefins and polyethylene units in Canada.

Partnership income decreased from income of $18 million in the third quarter of 1999 to a loss of $6 million in the same quarter of 2000. For the first nine months of 2000, partnership income was $6 million compared with $20 million for the same nine months of 1999. Declines in partnership income primarily reflect lower income associated with the corporation's UOP joint venture, which resulted from a reduction, particularly in international markets, of new projects undertaken by oil companies.

Other income for the nine month period ended September 30, 2000 included an $18 million ($11 million after-tax) gain on shares received and sold in connection with the demutualization of Metropolitan Life Insurance Company (Met Life), a provider of certain employee benefit programs for the corporation and $15 million of interest income related to a tax refund. Other income for the three and nine month periods ended September 30, 1999 included $38 million ($29 million after-tax) and $50 million ($38 million after-tax), respectively, of net gains from litigation settlements.

Interest expense increased $3 million and $19 million for the three and nine month periods ended September 30, 2000, respectively, as compared with the same three and nine month periods of 1999. These increases are primarily the result of a greater amount of average short-term debt outstanding during 2000 compared with 1999. Additionally, increases for the nine month period were partially offset by an increase in capitalized interest related primarily to the corporation's olefins and polyethylene projects in Canada and the corporation's OPTIMAL Group investment project in Malaysia.

Income from corporate investments carried at equity increased $21 million and $153 million for the three and nine month periods ended September 30, 2000 compared with the same periods in the prior year. Increases were directly attributable to better performance of the EQUATE and Polimeri Europa joint ventures, partially offset by preoperating expenses of the Malaysian joint ventures.

The corporation's effective tax rate for the three and nine month periods ended September 30, 2000 was 25.0 percent. The corporation's effective tax rate for the same three and nine month periods in 1999 was 26.4 percent and 25.8 percent, respectively.

Corporate Matters

Interest Rate and Currency Risk Management

The corporation selectively uses financial instruments to manage its exposure to market risk related to changes in foreign currency exchange rates and interest rates. The corporation does not hold derivative financial instruments for trading purposes.

At September 30, 2000, the corporation held open foreign currency forward contracts and options with net notional amounts of $225 million and an unrealized net gain of less than $1 million. At September 30, 2000, the corporation did not hold any derivatives related to its interest rate exposure.

The corporation uses sensitivity analysis to evaluate the potential effect of movements in foreign currency exchange rates and interest rates on the condensed consolidated financial statements. Based on this analysis, a hypothetical 10 percent weakening in the U.S. dollar across all currencies would have resulted in a $12.0 million net loss at September 30, 2000. Alternatively, a hypothetical 10 percent strengthening in the U.S. dollar across all currencies would have resulted in a $13.6 million net gain at September 30, 2000. These gains and losses would generally be offset by fluctuations in the underlying currency transactions.

At September 30, 2000, the corporation had long-term debt of $1,755 million, of which $15 million was variable-rate debt. A 10 percent increase in market interest rates would have decreased the net fair market value of fixed-rate debt instruments by $104 million at September 30, 2000, and a 10 percent decrease in market interest rates would have increased the net fair market value of fixed-rate debt instruments by $118 million at September 30, 2000.

Outlook - Corporate

On August 3, 1999, the corporation and The Dow Chemical Company (Dow) entered an Agreement and Plan of Merger providing for the merger of a subsidiary of Dow with and into the corporation. As a result of the merger, the corporation will become a wholly-owned subsidiary of Dow and the corporation's shareholders will receive 1.611 shares of Dow common stock for each share of UCC common stock they own as of the date of the merger. On December 1, 1999, the corporation's shareholders approved the merger. On May 3, 2000, the European Commission approved the merger subject to the divestiture of certain assets and the licensing of certain technology. The merger is still subject to certain additional conditions including review by antitrust regulatory authorities in the United States. The transaction is intended to qualify as a tax-free reorganization for United States Federal income tax purposes and is expected to be accounted for under the pooling-of-interests method of accounting.

Specialties & Intermediates

Millions of dollars, except as indicated	Quarter Ended Sept. 30, 2000	Quarter Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 1999
Segment revenues	$1,122	$1,057	$3,355	$3,127
Depreciation and amortization	65	67	199	192
Partnership income (loss)	(6)	17	4	19
Operating profit	45	134	219	530
Income from corporate investments carried at equity	1	-	-	4
Unit variable margin (cents/pound)	17.6	20.1	18.4	22.9
Fixed cost per pound of products sold (cents/pound)	13.1	14.1	13.1	13.7
Capital expenditures	29	58	145	220

S&I segment revenues increased 6.1 percent for the quarter ended September 30, 2000 compared with the same quarter in 1999, the result of a 7.5 percent increase in average selling prices partially offset by a 1.2 percent decline in volume. Revenues for the first nine months of 2000 compared with the same nine months of 1999, increased 7.3 percent, the result of a 6.7 percent increase in average selling prices and a slight increase in volume. Throughout 2000, steady increases in purchased raw material and energy costs eroded any benefit this segment derived from increases in average selling prices and volume.

Declines in partnership income for the three and nine month periods ended September 30, 2000 compared with the same periods in 1999, primarily reflected lower earnings from the corporation's UOP joint venture. In the current environment of high demand and limited supply, many oil companies, including those serviced by UOP, have deferred catalyst replacement and technology upgrade projects in order to keep refinery capacity running.

Operating profit for the nine months ended September 30, 2000 includes a $12 million gain on shares received and sold in connection with the demutualization of Met Life, a provider of certain employee benefit programs. Operating profit for the three and nine month periods ended September 30, 1999 includes $38 million and $50 million, respectively, in net gains from litigation settlements.

Outlook - Specialties & Intermediates

Looking ahead into the fourth quarter, the corporation anticipates that, although raw material costs may remain high, operating profit should benefit from modest improvement in variable margins for a number of specialty and intermediate product lines. Partnership income is expected to remain low, until UOP's customers are ready to begin work on delayed projects.

Basic Chemicals & Polymers

Millions of dollars, except as indicated	Quarter Ended Sept. 30, 2000	Quarter Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 1999
Segment revenues	$614	$522	$1,877	$1,379
Depreciation and amortization	35	36	105	110
Partnership income	-	1	2	1
Operating profit (loss)	(15)	(7)	89	(82)
Income (loss) from corporate investments carried at equity	32	12	115	(42)
Unit variable margin (cents/pound)	7.5	7.1	9.5	5.8
Fixed cost per pound of products sold (cents/pound)	6.4	5.9	6.3	5.4
Capital expenditures	46	120	252	339

Revenues of the BC&P segment for the third quarter of 2000 increased 17.6 percent over the same quarter of 1999 as a result of a 14.2 percent increase in average customer selling prices coupled with a 2.3 percent increase in customer volume. BC&P segment revenues for the first nine months of 2000 increased 36.1 percent over the same period in the prior year as a result of a 33.2 percent increase in average customer selling prices, partly offset by a 1.1 percent decline in customer volume. In 2000, this segment's unit variable margin has benefited from average customer selling price increases which, until the third quarter, exceeded the impact of rising raw material and energy costs.

Income from corporate investments carried at equity during the third quarter of 2000 increased over the same period in 1999 and increased substantially during the first nine months of 2000 compared with the same nine months of 1999. These increases represent improved performance at EQUATE and Polimeri Europa, which was only slightly offset by preoperating expenses associated with the OPTIMAL joint ventures. Although earnings in the chemical industry are being negatively impacted by rising raw material costs, EQUATE benefits from having advantaged raw material supply contracts. Polimeri Europa's performance in the year 2000 reflects better industry margins and volumes in Europe, than in 1999.

Operating profit for the nine months ended September 30, 2000 includes a $6 million gain on shares received and sold in connection with the demutualization of Met Life, a provider of certain employee benefit programs.

Outlook - Basic Chemicals & Polymers

The corporation's performance in the near term is highly dependent on external variables, such as the cost of raw materials and energy, as well as industry operating rates. The company is anticipating increases in average fourth quarter raw material and energy costs compared with third quarter levels. Overall, average BC&P customer selling prices in the fourth quarter are likely to be lower than in the third quarter, despite price increases in selected products. Depreciation for the BC&P segment will increase due to the start-up of the olefins and polyethylene units in Canada. Equity company results will likely decline from third quarter, primarily because of weakness at Polimeri Europa, as well as increased preoperating expenses associated with the Malaysian joint venture projects.

Environmental

Estimates of future expenses related to environmental protection for compliance with Federal, state and local laws regulating solid and hazardous wastes and discharge of materials to air and water, as well as for waste site remedial activities, have not changed materially since December 31, 1999. The reliability and precision of the loss estimates are affected by numerous factors, such as different stages of site evaluation, the allocation of responsibility among potentially responsible parties and the assertion of additional claims. The corporation's environmental exposures are discussed in more detail in the "Commitments and Contingencies" footnote to the financial statements on pages 10 through 12 of this report on Form 10-Q.

Accounting Changes

Effective January 1, 1999, the corporation adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." This SOP requires the expensing of certain costs, such as preoperating expenses and organizational costs associated with an entity's start-up activities. In accordance with this SOP's provisions, on January 1, 1999, the corporation recognized a charge of $27 million ($20 million after-tax) as a cumulative effect of change in accounting principle, the majority of which represented formation costs associated with the corporation's joint ventures.

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (Statement) No. 133, "Accounting for Derivative Instruments and Hedging Activities." It requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of those derivatives will be reported in earnings or accumulated other comprehensive loss, depending on the uses of the derivatives and whether they qualify for hedge accounting. This Statement, as amended by Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133," is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Due to the corporation's limited use of financial instruments to manage its exposure to market risks, primarily related only to changes in foreign currency exchange rates, the corporation does not expect the adoption of Statement No. 133 on January 1, 2001 to have a material effect on the corporation's financial position or results of operations.

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," which summarizes the staff's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. The corporation has determined that SAB 101 will not have a significant effect on its revenue recognition policies and procedures.

Financial Condition - September 30, 2000

Cash flow from operations for the first nine months of 2000 was $380 million, a decrease of $39 million from the same period of 1999. This decline is principally the result of a decrease in net noncash charges to net income, partially offset by a reduction in working capital requirements. Decreases in noncash charges to net income primarily resulted from an increase in undistributed earnings of the corporation's joint ventures and a reduction in pension expense.

Cash flow used for investing for the nine months ended September 30, 2000 totaled $514 million, a decrease of $117 million from $631 million in the comparable period of 1999. This decrease is principally due to a decline in capital expenditures and an increase in the proceeds received from the sale of available-for-sale securities partially offset by an increase in investments, advances and acquisitions and increased cash used for purchases of available-for-sale-securities. Funding of major capital projects in the first nine months of 2000 and 1999 included a new olefins facility, being built jointly with NOVA Chemicals Corporation, and a polyolefins project, both in Canada. The increase in investments, advances and acquisitions relates principally to the corporation's funding of its share of the cost of the Malaysian joint venture projects.

At September 30, 2000, the corporation had approximately $123 million in commitments related to authorized construction projects and investments. These commitments are anticipated to be met through operating cash flows.

Cash flow from financing was $156 million for the first nine months of 2000, as compared with $198 million for the same nine months of 1999. The first nine months of 2000 primarily included cash received for issuances of common stock of $25 million and net borrowings of $217 million offset by cash paid for dividends of $91 million. The first nine months of 1999 included net proceeds of $250 million from the April issuance of 6.70 percent Public Notes, common stock repurchases of $50 million, cash dividends totaling $90 million and net increases in debt, excluding the April 1999 issuance of 6.70 percent Public Notes, of $36 million.

The corporation's ratio of debt to total capital was 50.5 percent at September 30, 2000 as compared with 49.9 percent at December 31, 1999. At September 30, 2000 there were no borrowings outstanding under the existing major bank credit agreement aggregating $1 billion.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 6 to the corporation's consolidated financial statements on pages 10 through 12 of this report on Form 10-Q.

On October 5, 2000, the corporation was served with an administrative Complaint and Notice of Opportunity for Hearing (Complaint) by the United States Environmental Protection Agency, Region 6, alleging violations of reporting requirements under Section 112 of the Federal Clean Air Act at the corporation's Taft facility in Hahnville, Louisiana. The Complaint seeks civil penalties of $159,840.00.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

The following exhibit is filed as part of this report:

27 Financial Data Schedule

(b) The corporation filed the following current reports on Form 8-K for the nine months ended September 30, 2000:

1. Form 8-K dated July 24, 2000, contained a Letter Agreement, with reference to the Agreement and Plan of Merger, dated as of August 3, 1999, among Union Carbide Corporation, a New York corporation, The Dow Chemical Company, a Delaware corporation, and Transition Sub, Inc., a Delaware corporation.

2. Form 8-K dated July 31, 2000, contained the corporation's press release dated July 31, 2000.

3. Form 8-K dated September 27, 2000, contained a Letter Agreement, dated September 27, 2000, with reference to the Agreement and Plan of Merger, dated as of August 3, 1999, among Union Carbide Corporation, a New York Corporation, The Dow Chemical Company, a Delaware Corporation, and Transition Sub, Inc., a Delaware Corporation.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNION CARBIDE CORPORATION
(Registrant)

Date: November 3, 2000

By: /s/John K. Wulff
JOHN K. WULFF
Vice-President, Chief Financial Officer and Controller

EXHIBIT INDEX

EXHIBIT 27

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